

**Testimony**  
**Senate Bill 2004**  
**House Human Services Appropriations Committee**  
**Monday, March 6, 2017**  
**North Dakota Department of Health**

Good morning, Chairman Pollert and members of the House Human Services Appropriations Committee. My name is Arvy Smith and I am the Deputy State Health Officer of the North Dakota Department of Health (NDDoH). I am here today to testify in support of Senate Bill 2004.

**Mission**

The mission of the NDDoH is “to protect and enhance the health and safety of all North Dakotans and the environment in which we live.”

To accomplish our mission, we focus on seven major goals. Each of our goals is supported by a list of objectives and outcome performance measures that help us assess our progress toward our goals. In our submitted budget document, we report our performance for each objective. On the following page is the department’s strategic plan which details our mission, goals and objectives.

**Department Overview**

The department pursues its goals and objectives through six departmental sections:

- Administrative Support
- Community Health
- Emergency Preparedness and Response
- Health Resources
- Medical Services
- Environmental Health

Each section is composed of several divisions that house the individual programs that carry out the work of the section. A copy of our organizational chart can be found at Appendix 1. Descriptions of the sections, divisions and programs are available in our biennial report on our website at [ndhealth.gov](http://ndhealth.gov).

**MISSION:**  
**Protect and Enhance the Health and  
Safety of All North Dakotans and  
the Environment in Which We Live**

April 25, 2016

**Improve the  
Health Status of  
the People of  
North Dakota**

Decrease  
Vaccine-Preventable  
Disease

Achieve Healthy  
Weights  
Throughout  
the Lifespan

Prevent and Reduce  
Chronic Diseases and  
Their Complications

Prevent and Reduce  
Intentional and  
Unintentional  
Injury

Prevent and Reduce  
Tobacco Use and Support  
Other Substance  
Abuse Prevention

Reduce Infectious  
and Toxic Disease  
Rates

**Improve Access  
to and Delivery  
of Quality  
Health Care and  
Wellness Services**

Promote and Maintain  
Statewide Emergency  
Medical Services

Enhance the  
Quality  
of Health Care

Improve Access to  
and Utilization of  
Health and Wellness  
Services

Improve Health  
Equity

**Preserve and  
Improve the  
Quality of the  
Environment**

Preserve  
and Improve  
Air Quality

Ensure  
Safe Public  
Drinking Water

Preserve and Improve  
Surface and Ground  
Water Quality

Manage  
Solid Waste

Ensure Safe Food  
and Lodging Services

**Promote a State  
of Emergency  
Readiness  
and Response**

Prepare Public Health  
and Medical Emergency  
Response Systems

Maintain Hazard  
Identification  
Systems

Maintain Emergency  
Communication and  
Alerting Systems

Coordinate Public  
Health and Medical  
Emergency Response

**Manage Emerging Public Health Challenges and Events**

**Achieve Strategic Outcomes Using All Available Resources**

**Healthy North Dakota Strengthen and Sustain Stakeholder Engagement and Collaboration**

While most people know in general that public health is important, they are not always sure what public health is or how it affects their lives. In fact, the efforts of public health professionals touch the lives of every North Dakotan every day:

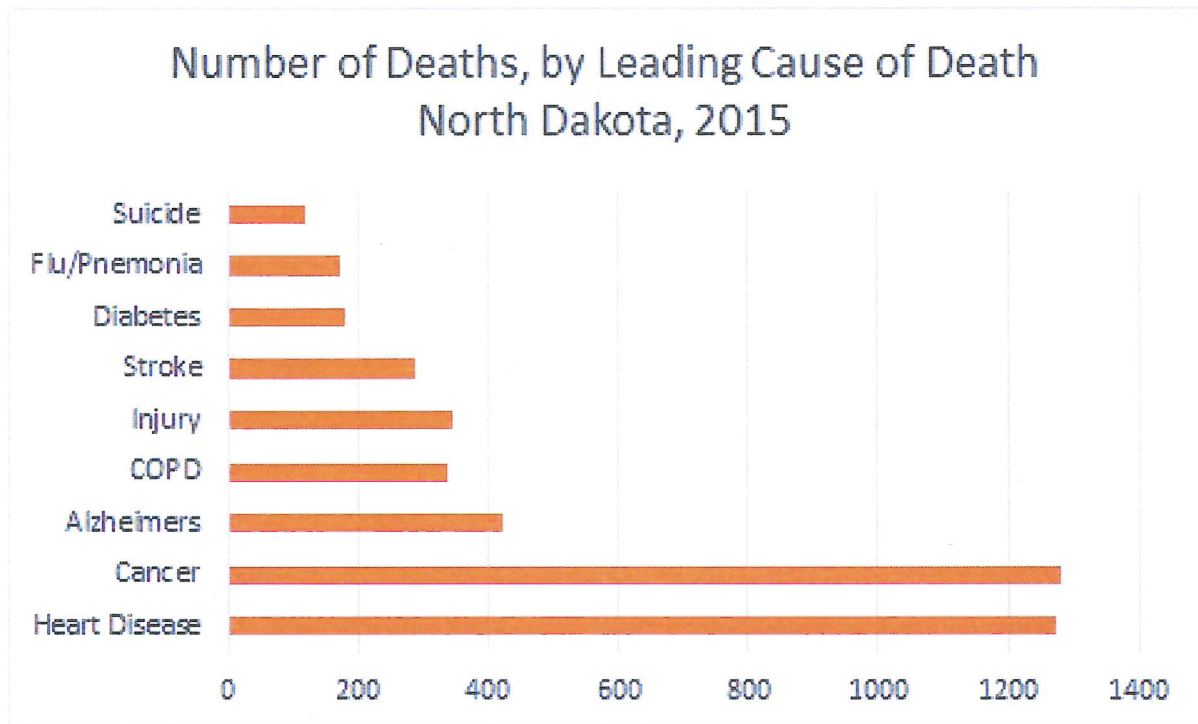
- Our **Environmental Health** section monitors the quality of North Dakota's air and water, ensuring that our environment provides us with a healthy basis for our lives.
- Our **Health Resources** section ensures that health facilities are safely and adequately serving residents and patients, and that food and lodging establishments meet all necessary safety requirements. The new medical marijuana division will be housed in this section as well.
- Our division of **Disease Control** monitors infectious diseases, identifies and contains disease outbreaks, educates the public, and manages state vaccination data.
- Our **Community Health** section manages programs that help North Dakotans quit smoking; receive breast, cervical and colorectal cancer screening; improve diet and physical activity habits for management of chronic disease and improved quality of life; manage diabetes; care for children with special needs; maintain nutrition levels during pregnancy and the first years of a child's life; care for health needs of women, infants and children; and reduce injuries, suicide, and domestic and sexual violence.
- Our **Emergency Preparedness and Response** section ensures that our public health system is prepared and able to respond to emergencies, such as Zika, floods, fires or tornados; that hospitals and health care facilities are prepared for emergencies; and that our ambulance services are meeting the needs of citizens and provide the best quality of care possible.

**Highlighted Accomplishments** – Following are examples of things the department accomplished over the last biennium:

- Compliance rates for all environmental health regulatory programs have consistently exceeded national levels, even while responding to increased needs related to the energy industry.
- The North Dakota tobacco quitline, NDQuits, has consistently achieved a seven-month post enrollment quit rate of 30%, which meets national standards. Nearly 5,500 people enrolled in NDQuits in FY 2016, 905 more than were enrolled in FY 2015.
- Infant and adolescent vaccination rates have consistently been above national vaccination rates since 2001. In 2015, infant rates were 80% compared to 72% for the U.S. and adolescent rates for tetanus, diphtheria, pertussis and meningitis were at 90%, slightly above the U.S. average. Efforts to improve vaccination rates among school children have resulted in kindergarten vaccination rates increasing from 90% to 94%.
- A state medical cache, valued at \$14.7 million has been accumulated and strategically placed throughout the state to be used by state and local government and the medical community to respond to emergencies. The cache consists of durable and disposable medical supplies, equipment and vehicles including pharmaceuticals, medical instruments, transport vehicles, medical shelters, trailers and tents, communications equipment, generators, and other emergency response items.
- Through state loan repayment programs, 29 health professionals were placed in shortage areas around the state. Eleven of those 29 are behavioral health professionals. This is a significant increase from the 18 total positions that were supported in the last biennium.
- Suicide prevention funding of \$840,000 was provided to various agencies, including schools, tribal organizations, social service agencies and medical agencies to work on suicide prevention efforts and early identification of suicidal thoughts.
- The Department continues to respond to newly emerging disease threats such as Ebola virus, Zika virus and newly emerging influenza viruses.

## **Overview of Health Statistics**

In order to address public health concerns, we need to know the status of health across the state. As the chart below shows, the six most common causes of death in North Dakota are heart disease, cancer, Alzheimer's disease, chronic obstructive pulmonary disease, injury and stroke.





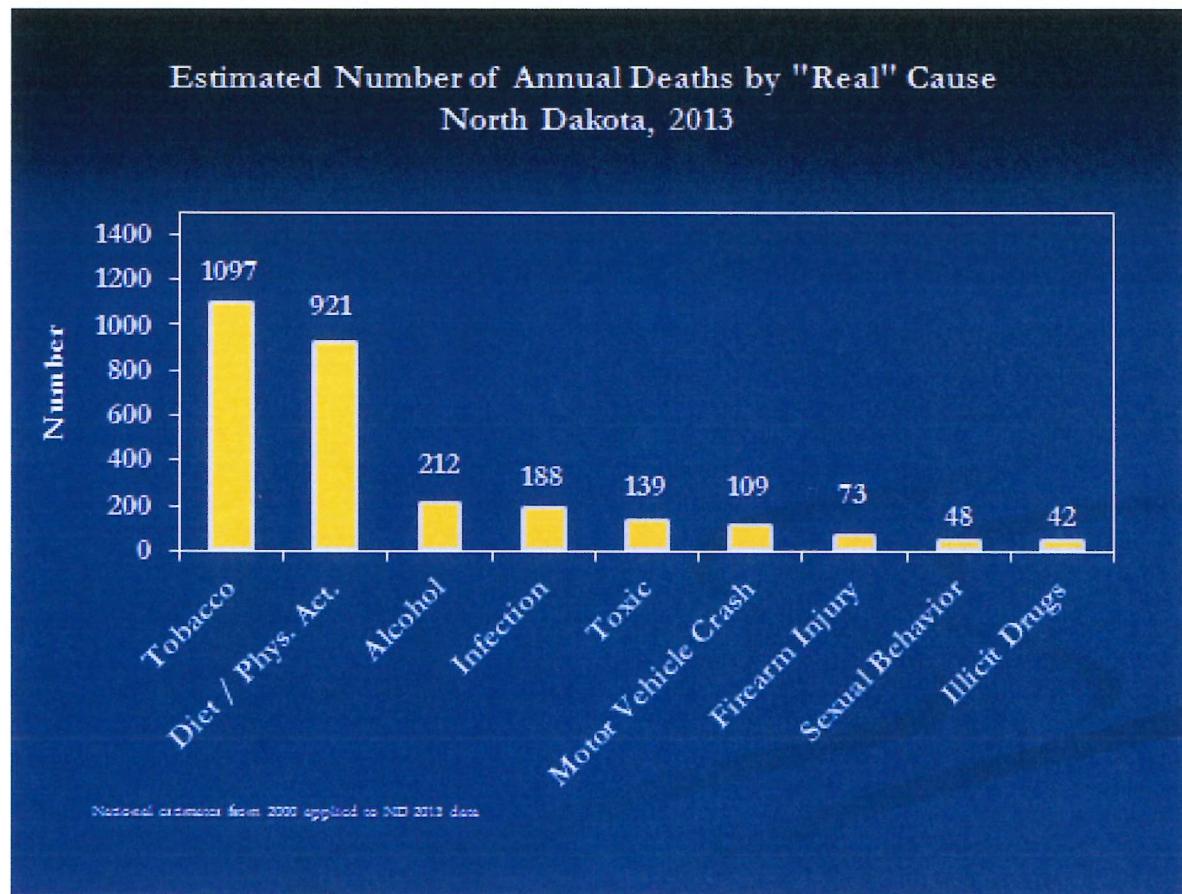
One way to look at the leading causes of death is by age group, as shown in the chart below. This information is important for policymakers, clinicians and public health professionals to develop age-appropriate health-related strategies to improve the health and wellness of all North Dakota citizens.

Unintentional injury accounts for the greatest number of deaths to people between the ages of 1 and 44. Suicide is the number two cause of death between the ages of 15 and 34. The diseases listed on the first graph, heart disease and cancer, don't become common killers until the middle of life, raising to the number one and two slots at 45 years and older.

### Leading Causes of Death by Age North Dakota 2013-2014

Less than 1	Age 1-4	Age 5-9	Age 10-14	Age 15-24	Age 25-34	Age 35-44	Age 45-54	Age 55-64	Age 65+
PRE-MATURITY 28	UNINT. INJURY 6	UNINT. INJURY 2	UNINT. INJURY 5	UNINT. INJURY 82	UNINT. INJURY 85	UNINT. INJURY 57	CANCER 145	HEART 260	HEART 2160
ANOMALY 26	RESPIRATORY DISEASE 1	CANCER 1	CANCER 1	SUICIDE 43	SUICIDE 52	SUICIDE 44	HEART 125	CANCER 449	CANCER 1876
PREG COMP 13	CANCER 1	ENDOCRINE DISEASE 1		CANCER 7	HEART 20	HEART 41	UNINT. INJURY 69	UNINT. INJURY 73	ALZHEIMER'S 856
UNINT. INJURY 3				HEART 4	CANCER 17	CANCER 31	SUICIDE 47	COPD 56	COPD 578
					CIRRHOSIS 11	CIRRHOSIS 20	CIRRHOSIS 42	DIABETES 48	STROKE 532
					HOMICIDE 11	DIABETES 11	STROKE 25	CIRRHOSIS 47	INFLUENZA/PNEUMONIA 304

Public Health's primary mission is the prevention of the risk factors and behaviors that cause death and disease in North Dakota across the entire age spectrum of the whole population. The next slide shows the underlying risk factors that lead to disease in North Dakota. As you can see, tobacco remains the number one risk factor associated with various cancers and cardiovascular disease, followed closely by poor diets and lack of physical activity, which are associated with diabetes, heart disease, stroke and some cancer.



One avenue to reach significant numbers of people and change risky behaviors is through worksites and schools in North Dakota. Consistent messages for parents at their workplaces and for students in schools will reinforce and encourage healthy behaviors in our society. Healthy students are in a better position to learn, which will positively impact their lives, including their ability to find adequate employment in the workforce.

### **Recent Public Health Efforts**

The Department of Health has spent significant effort in several areas since we last came before the legislature. Following are a few issues we think will continue to impact the health department into the next biennium.

- Response to Dakota Access Pipe Line (DAPL) – The department’s role in DAPL is to provide or arrange for wrap around medical and food services to law enforcement working long hours at the forward operating base.
- Environmental energy issues and increasing federal regulations – While oil activity has declined in recent months, as you will hear from Dave Glatt a little later, there is still much work to be done by the Environmental Health Section to protect the state’s environmental resources.
- Implementation of the medical marijuana program approved by voters in November, 2016 – The department is reviewing information from other states and model law developed by the National Conference of State Legislatures (NCSL) to implement effective processes to register, license, and regulate compassion centers, caregivers and patients on the use of marijuana for medical purposes in the state.
- Data use, security, and redundancy – With the publicity of numerous data breaches in the country, the department created an inventory of all data applications and evaluated each for sensitivity, vulnerability, criticality and risk and is busy making improvements to security and back-up where necessary.
- Over the last two years the department has worked to become accredited as a health department by the national Public Health Accreditation Board (PHAB). This has inspired us to become more effective in many areas of the work we do particularly through quality improvement initiatives. We hope to be accredited soon.
- Public Health/Primary Care Integration - In the broad field of health care, the two primary systems are the system of public health and the system of clinical health. Clinical health professionals are primarily trained to



diagnose and treat individuals with disease and in clinical settings while public health professionals work at the prevention end of the spectrum by influencing behavior that leads to disease. Both systems are important and can benefit from integration through collaboration and partnerships. Under the leadership of Dr. Dwelle, former State Health Officer, the department began efforts to engage the private sector in discussions to integrate processes to reduce tobacco use, address pre-diabetes and increase cancer screenings to fight against development of disease and other health problems of North Dakota. We plan to continue and expand this collaborative effort with our private sector partners.

### **Budget Overview**

The total budget for the North Dakota Department of Health recommended by Governor Dalrymple for the 2017-19 biennium and included in Senate Bill 2004 is \$197,844,162.

The recommended general fund budget is \$45,677,051 (23%) of the executive budget. That is equivalent to \$30 per capita per year. Federal funds are recommended at \$118,990,680 (60%), and special funds at \$33,176,431 (17%).

### **2015-17 Budget**

The schedule at Attachment A of the financial attachments shows a summary of the 2015-17 legislatively approved budget, the budget reductions approved during the August 2016 special session, and other changes to arrive at the 2015-17 base level budget as presented in SB 2004.

Attachment B provides a detailed schedule of the budget reductions approved during the August 2016 special session. Of the \$3,374,670 allotment, the most significant reduction was the change in vaccine funding at local public health units. As of July 1, 2016 the department discontinued using state general funding to purchase vaccines for insured children vaccinated at local public health units; local public health units began billing insurance for these vaccines and administrative costs. This saved \$1,700,000 in the current biennium and \$2,976,853 in the 2017-19 biennium. In addition, the department was able to shift \$404,812 from general funding to federal funding or revenue from existing fees. Grants and contracts in various categories were reduced \$990,000 mainly due to anticipated spending at amounts below what was budgeted. Finally, department employees did not receive 1% of the legislatively approved salary increase for July 1, 2016.

### ***2015-17 Status of One-Time Funding***

#### **Environmental Health Equipment - \$780,000**

- Air Quality Monitoring Station budgeted at \$180,000 special funds – equipment was received. Final cost was \$129,448 special funds.
- Lab Equipment budgeted at \$600,000 (\$292,000 general fund, \$186,000 federal funds, and \$122,000 special funds) has been received and installed. The final cost was \$382,869 (\$292,000 general fund and \$90,869 special funds).

#### **Medical Services Digital X-ray Machine - \$44,000**

The digital X-ray machine was budgeted at \$44,000 from the general fund. It was received in October 2015 at a final cost of \$51,500.

#### **WIC System Upgrade - \$1,712,110**

The federally funded WIC system upgrade was delayed until the 2017-19 biennium due to the need to first upgrade the current Management Information System (MIS). It was determined that the MIS was too outdated to handle electronic transfer of benefits. This funding will not be spent in the 2015-17 biennium.

### ***2015-17 Estimated Spending***

Estimated spending for the 2015-17 biennium will be within one percent of the state general fund appropriation and within approximately 5% of the federal fund appropriation. Special funding is running close to what was budgeted.

Approximately \$6.3 million in budgeted federal spending will not occur as a result of not being awarded several federal grants we applied for. A portion of that may also be due to roll up from vacant positions. After the general fund allotment, we may see an additional \$400,000 unspent general funding, approximately half of that from unexpended contracts in the colorectal cancer screening program and the other half from salary roll up. A new, effective, cheaper colorectal cancer screening process is available, resulting in less individuals receiving colonoscopies and reducing costs.

### **2017-19 Budget**

Attachment C provides a summary of the department's 2017-19 budget request compared to the base level budget presented in Attachment A. Along with

several adjustments, the 10% budget reduction required by Governor Dalrymple is included in the summary and detailed on Attachment D.

Of the \$5,154,975 reduction amount, \$2,976,853 was to continue the change made July 1, 2016 regarding vaccine purchases for local public health units, \$1,005,955 was due to funding shifts to federal funds or existing fee revenue, and one FTE was eliminated in Water Quality for \$153,819. In addition, grant and contract reductions of \$533,556 were made in various programs. Finally, holding back 1% of the July 1, 2016 increase generated \$296,892 of the ten percent general fund reduction. Miscellaneous operating reductions were also taken.

### ***2017-19 Optional Budget Requests***

The department submitted one optional budget request to purchase a cyber risk insurance policy and to secure additional backup storage for critical applications run by the department. The policy was intended to provide access to professional assistance to help the department comply with applicable laws and regulations. The amount of the optional request was \$400,000 with \$325,000 from the general fund and \$75,000 from federal funds. This request was not funded. However, HB 1088 which has been approved by both houses addresses data breach response and remediation costs for state agencies.

### ***2017-19 Executive Budget – Governor Dalrymple***

Attachment E presents changes made to the department budget request to arrive at the executive budget request. Of the changes, \$3,224,862 was a funding source shift from the general fund to the Tobacco Prevention and Control Trust Fund (TPCTF). An increase of \$3,000,000 from the TPCTF was added for local public health unit tobacco prevention activities. A \$500,000 shift from the general fund to the State Investment and Improvement Fund was made for the EPA lawsuit. To implement the mandate for a medical marijuana program in North Dakota, \$7 million with \$2,000,000 from the general fund and \$5 million from fees along with 17.0 FTE was provided. EMS Rural Assistance Grants and EMS Training Grants were reduced \$467,820 and \$94,000, respectively, to reflect a 10% cut to each of these two programs.

Appendixes G, H, I and J contain pie charts showing the percentages of our budget by funding source, spending category, section by dollar amount and section by number of FTE. These pie charts are based on Governor Dalrymple's budget.

The Community Health and the Environmental Health sections make up 62 percent of our total budget. The Environmental Health section employs almost half of our employees. Our administrative overhead is only 3.34 percent of our total budget.

A comparison of our overhead rates for the last several biennia is as follows:

<u>2009-11</u>	<u>2011-13</u>	<u>2013-15</u>	<u>2015-17</u>	<u>2017-19</u>
2.78%	3.57%	3.33%	3.32%	3.34%

Our overhead costs to administer around 100 different programs have remained low. These rates have held steady over the last several biennia.

A network of 28 local public health units and many other local entities provide a varying array of public health services with funding provided by the department. Some of the local public health units are multi-county, some are city/county and others are single-county health units. Other local entities providing public health services include domestic violence entities, family planning entities, Women, Infant and Children (WIC) sites and natural resource entities. Grants and contracts amounting to \$78.3 million or 40 percent of our budget are passed through to the local public health units and other local entities to provide public health services. Approximately \$23.4 million goes to local public health units, and \$23.9million goes to other local entities. The remaining \$31.0 million goes to state agencies, medical providers, tribal units and various other entities.

#### Salaries and Wages

Salaries and wages make up \$64,811,889 or 33 percent of our budget. The increase to the salaries line item is the recommended salary package and the amount necessary to continue the second year of the 2015-17 biennium increases.

#### Operating Expenses

Our operating budget of \$38,494,458 makes up 19 percent of our budget. Operating Expenses has been reduced as a result of the changes described earlier related to eliminating expenditures for federal grants that were not awarded and the 10% budget reduction.

### Capital Assets

Capital assets of \$3,446,740 make up only 2 percent of our total budget. The bond payment on our laboratory, the state morgue and a storage building, and equipment costing more than \$5,000 make up a majority of this line item.

### Grants

Grants, which are provided to many local entities across the state, are at \$58,135,670 and make up 29 percent of our budget. The majority of grants are in the Community Health, Emergency Preparedness and Response, and Environmental Health Sections. Grants are up slightly as a result of the addition of TPCTF provided for LPHUs offset by reductions in federal funding anticipated and reductions made to EMS grants discussed earlier.

### Special Line Items

There are three special line items included in the executive recommendation.

Tobacco Prevention and Control is at \$5,697,761 or 3 percent of our budget. This line item is down by 18 percent due to a decrease in the federal grant and a reduction in the revenue available in the Community Health Trust Fund. Note that overall the budget for tobacco prevention and control in the DoH budget is increasing as a result of the \$3 million added to the grants line item for tobacco.

Special Supplemental Nutrition Program for Women, Infants and Children (WIC) Food Payments make up \$20,200,000 or 10 percent of our budget. This is consistent with current usage. Administration by the local WIC sites is included in the grants line item.

The third special line item, medical marijuana, is budgeted at \$7,057,644 and accounts for four percent of our budget.

### 2017-19 One-Time Funding Included in SB 2004

The executive budget includes \$1,739,220 for the WIC program to convert the distribution of benefits from a paper process to an electronic benefit transfer. The funding for this change is supported by federal funding. The other one-time request of \$1,197,903 is related to the Medical Marijuana program. The amount requested includes costs for the purchase of a system and software for the registration process for qualified patients and designated caregivers along with



the inventory of the compassion centers, the estimated costs to prepare office space, and the purchase of one-time office equipment and computers. The funding for these costs will be supported by registration fees from the program.

### Federal Funding Changes

As indicated earlier, 60 percent of the Department of Health budget comes from the federal government in the form of approximately 80 federal grants. Our budget request includes a decrease of just under \$4.1 million in federal funding. The changes and impact are as follows:

- Administrative Support Section - the amount received for the federal State Loan Repayment Program decreased by \$414,000 based on past loan activity. The department only extends repayment contracts to the extent of federal funding. This reduction is offset by an increase in the amount collected from the federal government for indirect costs of the department.
- Medical Services Section - Immunization funding has decreased by approximately \$300,000 due to the completion of interoperability projects. This decrease is offset by increases in federal funding for Epidemiology and Lab Capacity (ELC) of \$750,000, Medicaid funding to support HiTech Interoperability of \$340,000 along with funding for Occupational Health Epidemiology of \$200,000.
- Community Health Section - The net decrease in federal funding in this area is \$1.5 million based on the following: Three federal grants totaling \$3.6 million that were included in the 2015-17 biennium budget which we had anticipated receiving were not awarded to the department. Additionally, the CDC Tobacco grant funding decreased by \$1.2 million. Grants and contracts and other operating expenses have been adjusted accordingly. To offset these decreases the budget includes increases in several other grants ranging from \$200,000 to \$600,000 for the biennium totaling approximately \$3.3 million collectively. A schedule of these additional grant changes can be provided upon request.
- Environmental Health Section - While federal funding in this area overall decreased by \$160,000, the funding from the EPA block grant decreased by almost \$675,000 primarily due to less carryover funds being available. We are anticipating that future funding from this federal grant will continue to decrease resulting in little to no carryover. Operating expenses have been adjusted accordingly. This decrease in federal funds has been offset primarily by increases in the federal Clean Diesel grant and the ELC grant for the work performed at the State Laboratory.

- Emergency Preparedness and Response Section - Federal funds decreased in this section by \$3.2 million. A federal grant for \$1.4 million we had anticipated receiving and included in the 2015-17 budget was not awarded. Funding of \$1.5 million for Ebola was removed from the budget as a result of the completion of the grant activities. The remaining reduction is a result of carryover funds from the Hospital Preparedness Program that have been expended and are no longer available. Expenditures have been adjusted accordingly.

As in the past, the status of our federal funding is often uncertain. With that uncertainty, we prepared our budget by assuming that federal grant amounts will hold even, except as noted above. We recognize that as we proceed through the next biennium we will have to make adjustments to our budget, operations and possibly staffing if federal funding changes from the amounts included in our budget request.

We have recently become aware of two additional funding sources that we were not aware of when our budget was prepared and went through the Senate. We have received notice that we will receive an additional \$1,043,098 in Ebola funding from the federal government. We will also be receiving approximately \$7.2 million from a settlement with Volkswagen for an emission lawsuit. We are continuing to develop details as to how this money would be spent and hope to provide additional information when we go through budget details with you.

#### ***2017-19 Revised Executive Budget***

The adjustments to the executive budget to arrive at the revised executive budget for the 2017-19 can be found at Attachment F. Reductions totaling \$1,908,873 with \$888,843 from the general fund and 5 FTE were made. The July 1, 2018 1% salary increase was removed and a reduction was made to reflect a 5% employee contribution to the health insurance premiums. One FTE was removed from the Air Quality Division totaling \$139,041 with \$111,233 from the general fund and \$100,000 special funding was removed from the colorectal cancer program. Finally, \$812,278 with \$337,786 from the general fund and 4 FTE were removed from the medical marijuana budget. The revised executive budget is at \$195,935,289 with \$44,788,208 from the general fund and 376 FTE.

#### ***Senate Adjustments to SB 2004***

The Senate adjustments to SB 2004 can also be found at Attachment F, in the bottom row. The Senate restored the 5% employee contribution to health

insurance premiums and added \$1 million from the Tobacco Prevention and Control Fund to local public health state aid.

Several changes were made in tobacco spending. In the NDDoH budget, \$3,453,333 and 1 FTE were added to the Tobacco Prevention and Control line item/program. Also \$3 million included in the executive budget for local public health units was moved from the Administrative Support Section Grants line item to the Community Health Section Tobacco Prevention and Control line item. Of the additional funding for tobacco prevention and control, \$2.5 million was for local public health unit grants and the remainder was for 1 FTE to manage the local public health unit tobacco grants (\$203,353), tribal grants (\$200,000), communications (\$300,000), surveillance (\$200,000) and other minor changes.

With the changes to SB 2024 and SB 2004, tobacco spending in total for the state went from approximately \$24 million and 12.85 FTE down to approximately \$12 million and 5.85 FTE. During the detail portion of our budget testimony we will present schedules showing the status of the Tobacco Prevention and Control Fund and the Community Health Trust Fund. Spending from the Tobacco Prevention and Control Fund at the current level cannot be sustained after the 2019-21 biennium.

### **Conclusion**

Chairman Pollert, members of the Committee, this concludes the department's testimony on Senate Bill 2004. I will now invite Dave Glatt, Environmental Health Section Chief, to present to you a report regarding the environmental impacts in the western part of the state. After that our staff and I are available to respond to any questions you may have.

